UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue, Suite 155
Seattle, WA 98101-3188

OFFICE OF
REGIONAL COUNSEL

June 13, 2019

Midas Gold Idaho, Inc.
P.O. Box 429
13181 Hwy 55
Donnelly, ID 83615

VIA ELECTRONIC MAIL ONLY

Re: Stibnite Mine

Dear Brad,

On April 30, 2019, Midas Gold Corporation provided the Environmental Protection Agency Region 10 (EPA) and the Idaho Department of Environmental Quality (IDEQ) with a proposed settlement agreement to undertake a limited initial investigation into existing contamination at the Forest Service Smelter Waste Cell and the Defense Minerals Exploration Administration Dump (DMEA Dump) at the Stibnite Mine Site (Site). This letter pertains to the technical proposal set forth in the statement of work attached to the proposed settlement agreement. As we have discussed, if the government agencies and Midas can agree on the appropriate technical work to be done, we will need to discuss restructuring the agreement so that terms reflect EPA's standard administrative orders on consent. In addition, Midas has not yet substantiated its claim that it is a bona fide prospective purchaser.

On May 17, 2019, Midas met with EPA and IDEQ to explain its technical proposal to the agencies. Midas stated that the goal of performing the work proposed is to discover the sources of elevated levels of arsenic, antimony, and mercury in ground water and/or surface water at the Site. During the meeting, EPA and IDEQ agreed to evaluate the proposal to determine whether the work was appropriate.

After the meeting, EPA invited the United States Forest Service (USFS) to participate in the technical discussions with EPA and IDEQ because the proposed investigatory work involves USFS land. (For the same reason, USFS will need to be a signatory to any final agreement.) We have collectively evaluated the proposal and have concerns that the investigatory work will not achieve the stated purpose. The agencies do not believe that the USFS-constructed repository on the Northwest Bradley Waste Rock Dump is a significant source of the elevated arsenic concentrations measured in monitoring well MWH-A19. The repository was constructed on an elevated portion of the dump that does not contact groundwater. In addition, the repository was constructed with a low-permeability Geosynthetic Clay Liner (GCL) cover to minimize infiltration and percolation through the materials. Groundwater elevation contour data provided by Midas Gold indicates a northerly flow direction, such that MWH-A19 may not be directly downgradient from the repository. Finally, the downgradient monitoring well SRK-GM-03S shows no similarly elevated arsenic or selenium concentrations, which would be expected if the repository were a significant groundwater contaminant source.

As we discussed during the May 17th meeting, the agencies do not believe that Midas Gold's exploration soil sampling data are appropriate for determining background concentrations of metals in surface soils. Midas Gold collected samples from 0–16 inches below ground surface (bgs), with an average and median depth of 9 and 12 inches bgs, respectively. This exceeds the recommended 0–6 inches bgs sampling depth for assessing risk to human health and wildlife. The agencies recommend using the data sets presented in the 1998 Stibnite Site Characterization Report to establish site-specific background concentrations for mineralized and non-mineralized areas. Analysis of the Woodward-Clyde samples indicate an average of 6.99 ppm arsenic for non-mineralized areas. This is consistent with regional norms. The mineralized areas have an average of 87.51 ppm arsenic.

The agencies have discussed other potential projects that may be more successful in achieving the goal of determining the sources of arsenic, antimony and mercury. For instance, additional groundwater, storm event surface water, and sediment samples near the Bradley Waste Rock Dumps, the Keyway Wetland, Upper Wetland, and stream channels of the East Fork South Fork Salmon River, and tributaries upstream of the Sugar Creek confluence would be important work to perform to understand the sources of contamination. We would be happy to discuss in more detail what options the agencies have considered as alternatives to the investigatory work proposed by Midas Gold. Please let me know if you and your client are interested in meeting to have further technical discussions.

Best regards,

Elizabeth McKenna

cc: Lisa O'Hara, Deputy Attorney General IDEQ
Gary Fremerman, USDA OGC